

POWER GREENHOUSES INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2000

MATCHETT, POTTS & SEIPP

CHARTERED ACCOUNTANTS

MATCHETT, POTTS & SEIPP

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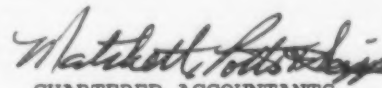
AUDITORS' REPORT

To the Shareholder
Power Greenhouses Inc.

We have audited the balance sheet of Power Greenhouses Inc. as at December 31, 2000 and the statements of operations and retained earnings and of cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2000 and the results of its operations and the changes in its cash flows for the year then ended in accordance with generally accepted accounting principles.


CHARTERED ACCOUNTANTS

Estevan, Saskatchewan.
January 22, 2001

POWER GREENHOUSES INC.

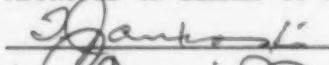
BALANCE SHEET AS AT DECEMBER 31, 2000

	<u>2000</u>	<u>1999</u>
<u>ASSETS</u>		
Current assets		
Cash	\$ 3,435	\$ 11,141
Inventories	<u>25,197</u>	<u>19,441</u>
	28,632	30,582
Capital assets (Note 3)	<u>3,816,745</u>	<u>3,333,825</u>
	\$ <u>3,845,377</u>	\$ <u>3,364,407</u>

LIABILITIES & SHAREHOLDERS' EQUITY

Current liabilities		
Accounts payable	\$ 58,953	\$ 47,039
Payable to shareholder (Note 4)	<u>3,786,414</u>	<u>3,317,358</u>
	<u>3,845,367</u>	<u>3,364,397</u>
Shareholders' equity		
Share capital (Note 5)	10	10
Retained earnings	<u>-</u>	<u>-</u>
	<u>10</u>	<u>10</u>
	\$ <u>3,845,377</u>	\$ <u>3,364,407</u>

APPROVED ON BEHALF OF THE BOARD:

 DIRECTOR
 DIRECTOR

The accompanying notes form an integral part of this financial statement.

MATCHETT, POTTS & SEIPP

POWER GREENHOUSES INC.
STATEMENT OF OPERATIONS AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>2000</u>	<u>1999</u>
Contract revenue earned	\$ <u>518,299</u>	\$ <u>502,021</u>
Expenses		
Advertising	28,276	60,892
Amortization	112,757	115,859
Board indemnity	4,956	5,961
Contract labour	38,042	32,151
Materials and supplies	33,121	32,523
Miscellaneous	4,498	1,927
Office expenses	3,888	3,340
Professional fees	3,588	3,851
Shipping	3,027	2,366
Telephone	3,747	2,856
Travel and training	9,897	5,633
Vehicle and equipment costs	8,742	8,157
Wages and employee benefits	<u>263,760</u>	<u>226,505</u>
	<u>518,299</u>	<u>502,021</u>
Net earnings	-	-
Retained earnings, beginning of the year	-	-
RETAINED EARNINGS, END OF THE YEAR	\$ <u>-</u>	\$ <u>-</u>

The accompanying notes form an integral part of this financial statement.

MATCHETT, POTTS & SEIPP

POWER GREENHOUSES INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>2000</u>	<u>1999</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	\$ -	\$ -
Adjustment for:		
Amortization	112,757	115,859
Change in non-cash working capital		
(Increase) decrease in inventories	(5,756)	7,220
Increase in accounts payable	<u>11,914</u>	<u>14,184</u>
Cash flows from operating activities	<u>118,915</u>	<u>137,263</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of capital assets	(595,677)	(58,767)
Cash flows from investing activities	(595,677)	(58,767)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in payable to shareholder	<u>469,056</u>	<u>(76,441)</u>
Cash flows from financing activities	<u>469,056</u>	<u>(76,441)</u>
Net increase (decrease) in cash and cash equivalents	(7,706)	2,055
Cash and cash equivalents at beginning of the year	<u>11,141</u>	<u>9,086</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (NOTE 7) \$	<u>3,435</u>	\$ <u>11,141</u>

The accompanying notes form an integral part of this financial statement.

MATCHETT, POTTS & SEIPP

POWER GREENHOUSES INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000

1. STATUS OF THE CORPORATION

Power Greenhouses Inc. is a corporation incorporated under the Business Corporation Act of Saskatchewan. The company is a wholly owned subsidiary of Saskatchewan Power Corporation.

The mandate of the company is to operate a greenhouse to provide tree seedlings for the purpose of afforestation. The company entered into an agreement with Saskatchewan Power Corporation whereby it operates the greenhouse and in turn Saskatchewan Power Corporation funds the company for costs incurred.

2. SIGNIFICANT ACCOUNTING POLICIES

The company's accounting policies are in accordance with generally accepted accounting principles. The following summary of accounting policies describes the accounting methods and practices considered to be significant to the company's financial statements:

a) Income taxes

The company makes no provisions for income taxes as taxes are not levied on earnings of crown corporations.

b) Inventory

Inventory is carried at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method.

c) Capital assets

Capital assets are stated at cost. Amortization is provided on a straight line basis, at rates calculated to amortize the cost of the capital assets to their estimated salvage value, as set out below:

	Average Rate
Buildings	2.5%
Vehicles and equipment	14%
Office furniture	12%
Tools	14%
Computers	33.3%

d) Contract revenue earned

Contract revenue earned is based on total expenses incurred during the year.

POWER GREENHOUSES INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000

3. CAPITAL ASSETS	<u>2000</u>		<u>1999</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Buildings	\$ 4,510,976	\$ 802,362	\$ 3,708,614
Equipment & furniture	<u>215,329</u>	<u>107,198</u>	<u>108,131</u>
	\$ <u>4,726,305</u>	\$ <u>909,560</u>	\$ <u>3,816,745</u>

4. PAYABLE TO SHAREHOLDER	<u>2000</u>	<u>1999</u>
Total advances	\$ 7,762,714	\$ 6,804,504
Less: total expenses incurred	<u>3,976,300</u>	<u>3,487,146</u>
	\$ <u>3,786,414</u>	\$ <u>3,317,358</u>

Payable to shareholders is not secured, non-interest bearing with no fixed terms of repayment.

5. SHARE CAPITAL	<u>2000</u>	<u>1999</u>
Authorized an unlimited number of the following classes of shares without par value		
Issued and fully paid 10 Class A	\$ <u>10</u>	\$ <u>10</u>

6. RELATED PARTY TRANSACTIONS

Included in these financial statements are expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled Departments, Agencies, and Corporations with which the company was related. Account balances resulting from these transactions are included in the balance sheet and are settled on normal trade terms except as described below.

The company entered into an agreement with Saskatchewan Power Corporation, its parent, whereby it operates the greenhouse and in turn Saskatchewan Power Corporation funds the company for costs incurred, which is reflected as contract revenue earned.

POWER GREENHOUSES INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2000

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the statement of changes in financial position comprise the following balance sheet amounts:

	<u>2000</u>	<u>1999</u>
Cash	\$ <u>3,435</u>	\$ <u>11,141</u>

8. COMPARATIVE FIGURES

The comparative figures for the preceding year have been adjusted so as to reflect that year's financial position, results of operations and changes in cash flows in a form comparable to the current year.